

**STATE OF NORTH DAKOTA  
BISMARCK, NORTH DAKOTA**

**REPORT OF EXAMINATION  
OF  
FARMERS UNION MUTUAL  
INSURANCE COMPANY  
JAMESTOWN, NORTH DAKOTA**

**AS OF  
DECEMBER 31, 2000**

STATE OF NORTH DAKOTA  
DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

**Farmers Union Mutual Insurance Company**

**Jamestown, North Dakota**

as of December 31, 2000, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto  
set my hand and affixed my official  
seal at my office in the City of  
Bismarck, this \_\_\_\_\_ day of  
\_\_\_\_\_, 2002.

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Jim Poolman  
Commissioner of Insurance

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Jamestown, North Dakota  
November 28, 2001

Honorable Alfred W. Gross  
Chair, Financial Condition Committee  
Subcommittee, NAIC  
Commissioner  
Bureau of Insurance  
Commonwealth of Virginia  
Richmond, VA 23218

Honorable Sally McCarty  
Secretary, Midwestern Zone  
Commissioner of Insurance  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, IN 46204-2787

Honorable Jim Poolman  
Commissioner of Insurance  
State of North Dakota  
600 East Boulevard  
Bismarck, ND 58505

Commissioners:

Pursuant to your instructions and statutory requirements, a financial examination has been made of the books, records, and financial condition of

**Farmers Union Mutual Insurance Company  
Jamestown, North Dakota**

Farmers Union Mutual Insurance Company, hereinafter referred to as the "Company", was last examined as of December 31, 1995, by the North Dakota Insurance Department.

## **SCOPE OF EXAMINATION**

This examination was a financial condition examination conducted in accordance with N.D. Cent. Code § 26.1-03-19.3 and observed guidelines and procedures contained in the NAIC Examiners Handbook. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review the corporate affairs and insurance operations. This statutory examination covers the five-year period beginning January 1, 1996, and ending December 31, 2000, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

Work papers provided by the Company's independent auditor, Brady Martz & Associates, P.C., were reviewed and where deemed appropriate certain procedures and conclusions documented

in those work papers have been relied upon and copied for inclusion into the working papers for this examination.

All financial examination related recommendations made in the prior statutory examination have been adequately addressed by the Company.

This examination was conducted by Examiners from the North Dakota Insurance Department, representing the Midwestern Zone.

## **HISTORY**

### **General**

The Company was incorporated on March 20, 1944, as a mutual insurance company under the laws of the State of North Dakota. The Company's term of existence is 30 years. In 1974, the Articles of Incorporation were amended extending the Company's term of existence by 30 years to the year 2004.

## **MANAGEMENT AND CONTROL**

### **Membership**

Membership consists of policyholders of the Company who are members in good standing in the Farmers Educational and Cooperative Union of America, North Dakota Division.

The date and place of the annual meeting of the members shall be fixed by the Board of Directors and shall be at the time and place of the annual convention of the Farmers Educational and Cooperative Union of America, North Dakota Division. Notice of the annual meeting of the membership shall be by publication in the North Dakota Union Farmer or by written notice to each member at his last known address.

Each member of the Company is, for the purpose of representation, assigned to a local and/or county governing unit of the Farmers Educational and Cooperative Union of America, North Dakota Division.

### **Board of Directors**

The Company's business is managed by the Board of Directors consisting of nine members elected by the policyholders. For the purpose of electing directors, the state is divided into seven districts. One director is chosen from each of the seven districts and two directors are elected at large. Each director is elected for a one-year term.

The annual meeting of the Board of Directors shall be held immediately following the annual convention of the Farmers Educational and Cooperative Union of America, North Dakota Division. The directors shall hold regular quarterly meetings in November, February, May, August, or at such other time and place as the Board may fix by resolution.

Directors duly elected and serving at December 31, 2000, together with their addresses and business affiliations are as follows:

<b><u>Name and Address</u></b>	<b><u>Business Affiliation</u></b>
Robert L. Carlson Glenburn, ND	Farming
Dale E. Farbo Cando, ND	Farming
Jeremy Nelson Crosby, ND	Farming
Larry Novak Alexander, ND	Farming
Arlene Olson Wing, ND	Farming
Richard Schlosser Edgeley, ND	Farming
Mark Sitz Drake, ND	Farming
Marcy Svenningsen Valley City, ND	Farming
Terry Ulrich Ashley, ND	Farming

### **Officers**

Officers are elected by the Board of Directors and serve until the next annual meeting of the Board. Elected officers serving respective duties as of December 31, 2000, are as follows:

<b><u>Officer</u></b>	<b><u>Title</u></b>
Robert L. Carlson	President
Richard Schlosser	Vice President
Odean Olson	Secretary and Treasurer

### **Committees**

During each of the years under review, the Board of Directors designated four committees to assist the directors in various aspects of Company operations. The committees and their respective members were as follows:

**Executive Committee**

Robert L. Carlson  
Jeremy Nelson  
Larry Novak  
Richard Schlosser

**Claims Committee**

Robert L. Carlson  
Odean Olson  
Randy Lebahn  
Richard Schlosser

**Investment Committee**

Robert Carlson  
Dennis Nelson  
Odean Olson  
Richard Schlosser

**Rate and Policy Committee**

Odean Olson	Bobby Craig
Gary Geiszler	Don Folkert
Mike McCormick	Darwin Peterson
Randy Lebahn	Alvin Anderson
Darold Halvorson	

## **CORPORATE RECORDS**

**Articles of Incorporation and Bylaws**

The following amendment to the Bylaws was adopted at an annual meeting of the policyholders held during the period under review:

**1998 Meeting of the Policyholders**

Article VIII, Section 3	The compensation of directors was increased from \$30 per day to \$50 per day.
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**Board of Directors, Policyholders, and Committee Minutes**

The minutes of the Board of Directors, policyholders, and committees for the period under examination were read.

The minutes of the various meetings indicate that meetings were well attended and held in accordance with the Bylaws. The deliberations of the bodies were adequately documented and support the Company's transactions and events.

**Conflict of Interest**

The procedure for disclosure of any conflict requires that every director, officer, trustee, or responsible employee of the Company annually sign a conflict of interest form. The signed questionnaires are reviewed by the Board of Directors. The conflict of interest statements for the years 1996 through 2000 were reviewed and no conflicts were noted.

## **FIDELITY BOND AND OTHER INSURANCE**

At December 31, 2000, the Company was protected against fraudulent or dishonest acts of its employees by a financial institution bond. The bond insures the Company and affiliates up to

\$1,000,000 which is in compliance with the NAIC suggested minimum amount of fidelity insurance.

The Company is also a named insured on other types of coverage including, but not limited to, Businessowners Policy, Commercial Umbrella Liability, Professional Liability, Boiler and Machinery, and Data Processing Equipment.

## **AFFILIATED SERVICE AGREEMENTS**

### **Agency Contract**

The agency contract is an agreement between the Company and Farmers Union Service Association, Ltd. (FUSA), a North Dakota corporation. The Company shares a common Board of Directors and common officers with FUSA.

A summary of the agreement follows:

The Company appoints FUSA as its agent and representative in the State of North Dakota for the sale of insurance. The Company agrees to appoint and license all approved nominees of FUSA as agents. FUSA agrees to enter into agreements with each such appointee, assuming all obligations for compensation to such appointee.

It is agreed that FUSA will own and provide all of the office equipment, furniture, fixtures, automobiles, and other fixed assets required by the Company for the operation of its business except the IBM AS/400 computer and all supporting hardware and software. The annual rental charge for the use of such fixed assets, equipment, and automobiles shall be the actual depreciation cost plus an interest factor of one percent less than the 12-month certificate of deposit rate as published in the Wall Street Journal on the first business day of each calendar year.

FUSA agrees to provide all advertising for the promotion of the Company's insurance policies.

For the year 2000, the Company agreed to pay FUSA gross commissions of 12 percent for its services and those of its agents.

In 2000, the Company paid \$41,034 to FUSA for rent of furniture, fixtures, and automobiles; \$59,150 for telephone and postage; and \$2,582,567 for gross commissions. FUSA paid \$75,470 to the Company for computer use.

### **Loss Adjusting Services Agreement**

The loss adjusting services agreement is an agreement between the Company and National Farmers Union Property Casualty Company (PACCO), a Colorado corporation.

A summary of the agreement follows:



The Company shall promptly notify PACCO of all of the claims made under the casualty coverages of the Company's insurance policies. For each claim, PACCO will provide through its adjusters and other personnel, loss adjusting services including inspection of the damaged property, determining the amount of the loss, making a written claim report to the Company, and settling the claim on behalf of the Company.

The Company agrees to pay PACCO for its services an amount equal to 5.5 percent of the Company's earned premium for all casualty coverages.

The Company paid \$220,808 to PACCO for loss adjusting services in 2000.

### **Rental Agreement**

The Company has a rental agreement with Farmers Educational and Cooperative Union of America, North Dakota Division (NDFU) for rent of office space. The Company shares the same Board of Directors with the NDFU.

In 2000, the Company paid \$107,100 to NDFU for rent of office space, \$13,977 for printing services, and \$20,248 for telephone usage. NDFU paid \$7,482 to the Company in 2000 for computer usage.

### **Other Related Party Transactions**

Article IV of the Bylaws requires that all members of the Company be members of NDFU. In 2000, the Company remitted \$253,215 to NDFU representing membership fees collected by the Company on behalf of NDFU.

Article VI of the Bylaws provides that the directors shall set aside a sum equal to five percent of the annual net income of the Company before taxes as an educational fund to be used in teaching cooperation, all of which shall be paid to the Farmers Educational and Cooperative Union of America, North Dakota Division (NDFU). Educational fund expenses for 2000 were \$38,620.

## **PENSION AND INSURANCE PLANS**

### **Employee Benefit Plan**

All qualified full-time employees are provided with group life insurance, accidental death and dismemberment, and comprehensive medical expense. A group long-term disability insurance plan is also provided. The cost of the disability plan is jointly shared (50% each) between the Company and the employee.

### **Employee Retirement Plan**

At December 31, 2000, the Company had a defined benefit pension plan covering substantially all employees with 12 months of service. A summary of the plan follows:

The plan is administered by the Pension Committee appointed by the Executive Committee of Farmers Educational and Cooperative Union of America.

The plan provides for an annual benefit equal to 1.2 percent of the employee's final average compensation multiplied by years of service, plus 0.6 percent of the final average compensation in excess of Social Security covered compensation multiplied by years of service.

The plan is available to full-time employees on the first day of the calendar quarter on or following the date an employee has completed one year of service and attained the age of 21. The employee becomes vested after five years.

Employees may receive reduced benefits from the plan at age 55.

The employee may choose from the following types of benefit payments:

- Qualified Joint and Survivor Annuity
- Qualified Pre-Retirement Survivor Annuity
- Straight Life Annuity
- Ten Years Certain and Life Annuity
- Joint and Survivor Annuity
- Lump Sum Option

**Farmers Union Mutual Insurance Company and Farmers Union Service Association, Ltd.,  
Employee's Salary Savings Plan 401(k)**

The 401(k) plan provides for retirement benefits based on the amount of contributions made plus investment income. A summary of the plan follows:

The plan is administered by the Company and Farmers Union Service Association, Ltd.

The employee may elect to make before-tax contributions to the plan up to the maximum amount determined by the IRS. For each plan year the Company shall make a profit sharing contribution equal to a 100% match of every dollar contributed by a participant up to 1.8% of their compensation, and a 50% match of every dollar contributed above this amount by a participant up to 2.4% of their compensation.

## **TERRITORY AND PLAN OF OPERATION**

At December 31, 2000, the Company was authorized to transact the business of insurance in North Dakota and South Dakota. The Company currently writes business only in the State of North Dakota.

The Company's primary lines of business consist of farmowners, homeowners, and commercial multiple peril. As noted above, the Company has an agency agreement with FUSA for sale of the Company's products.

## REINSURANCE

The following is a summary of the significant reinsurance treaties in force at December 31, 2000:

### Reinsurance Ceded

1.    Type:                   **Casualty Excess of Loss**  
  
      Reinsurers:           Continental Casualty                   (65%)  
                             Dorinco Reinsurance Company       (25%)  
                             Erie Insurance Exchange           (10%)  
  
      Scope:               Casualty Business classified as Other Liability, Farm Liability,  
                             Commercial Automobile Liability, and Section II of Farmowners,  
                             Homeowners, and Commercial Multiple Peril.  
  
      Coverage:            \$850,000 excess of \$150,000  
  
      Premium:             7.28% of subject net premium  
  
      Effective Date: January 1, 1998  
  
      Termination:         Either party may cancel on any December 31 by providing not less  
                             than 90 days notice
  
2.    Type:                   **Excess Casualty Clash**  
  
      Reinsurers:           Continental Casualty                   (50%)  
                             First Excess and Reinsurance Corporation   (35%)  
                             Hannover Ruckversicherungs AG           (15%)  
  
      Scope:               Casualty Business classified as Other Liability, Farm Liability,  
                             Commercial Automobile Liability, and Section II of Farmowners,  
                             Homeowners, and Commercial Multiple Peril.  
  
      Coverage:            \$1,000,000 in excess of \$1,000,000 of ultimate net loss each  
                             occurrence (regardless of the combination of classes, number of  
                             policies or number of different interests involved).  
  
      Premium:             0.91% of the Company's subject net earned premium  
  
      Effective Date: January 1, 1997  
  
      Termination:         Either party may cancel on any December 31 by providing not less  
                             than 90 days notice

3. Type: **Umbrella Liability Quota Share**
- Reinsurers: Continental Casualty Company (45%)  
Dorinco Reinsurance Company (25%)  
First Excess and Reinsurance Corp. (25%)  
Hannover Ruckversicherungs AG (5%)
- Scope: Commercial, Personal, and Farmowners Umbrella Liability
- Coverage: The Company shall cede 97.5 percent of its net liability to the reinsurer
- Premium: Pro-rata
- Effective Date: January 1, 1996
- Termination: Either party may cancel on any December 31 by providing not less than 90 days notice

4. Type: **Excess Catastrophe**
- Reinsurers: Various
- Scope: Property Business classified as Fire and Allied Lines, Commercial Automobile Physical Damage, (Comprehensive only) Inland Marine, Glass and Burglary and Theft and Section I of Farmowners, Homeowners, and Commercial Multiple Peril

Coverages and  
Premiums:

	<b>First Excess</b>	<b>Second Excess</b>	<b>Third Excess</b>
Company's Retention	\$1,500,000	\$3,000,000	\$5,000,000
Reinsurer's Per Occurrence Limit (97.5% of)	1,500,000	2,000,000	5,000,000
Reinsurer's Annual Limit (97.5% of)	3,000,000	4,000,000	10,000,000
Annual Minimum Premium	351,000	140,400	97,500
Premium Rate	3.03%	1.21%	.84%
Annual Deposit Premium	438,750	175,500	121,875
Quarterly Deposit Premium	109,688	43,875	30,469

Effective Date: January 1, 2000

Termination: December 31, 2000

5.     Type:                     **Aggregate Stop Loss**
- Reinsurers:                 Various
- Scope:                     Property Business classified as Fire and Allied Lines, Commercial Automobile Physical Damage, (Comprehensive only) Inland Marine, Glass and Burglary and Theft and Section I of Farmowners, Homeowners, and Commercial Multiple Peril
- Coverage:                  First Aggregate - The reinsurers shall be liable for 97.5 percent of 10.0 percent for ultimate net losses in excess of 75 percent of net earned premium for classes of business reinsured thereunder
- Second Aggregate - The reinsurers shall be liable for 97.5 percent of 20 percent of the amount by which ultimate net loss exceeds 85 percent
- Third Aggregate - The reinsurers shall be liable for 97.5 percent of 15 percent of the amount by which ultimate net loss exceeds 105 percent
- Premium:                  First Aggregate – 4.39 percent of net earned premiums for business ceded subject to a minimum premium of \$596,700
- Second Aggregate – 3.71 percent of net earned premiums for business ceded subject to a minimum premium of \$403,104
- Third Aggregate – 1.02 percent of net earned premiums for business ceded subject to a minimum premium of \$111,384
- Effective Date: January 1, 2000
- Termination:               December 31, 2000

Reinsurance Assumed

1.     Type:                     **Quota Share**
- Ceding Company:           National Farmers Union Property and Casualty Company
- Scope:                     Private passenger auto liability and private passenger auto physical damage produced by Farmers Union Service Association, Jamestown, N.D.
- Coverage:                  The Company shall accept 10% of the reinsurer's net liability.
- Premium:                  Pro-rata
- Effective Date: January 1, 2000
- Termination:               December 31, 2000

2.     Type:                     **Quota Share**
- Ceding Company:     National Farmers Union Property and Casualty Company
- Scope:                MPCI and Crop Hail business
- Coverage:            50% of the ceding company's 100% share in a MPCI Retrocession Agreement; 33.33% of the ceding company's share in a Crop Hail Retrocession Agreement; and a 50% and 33.33% share, respectively, of the MPCI and Crop Hail coverages under the Combined Profit Sharing Agreement.
- Premium:             Pro-rata
- Effective Date: January 1, 2000
- Termination:         December 31, 2000

The Company cedes a portion of the assumed business back to National Farmers Union Property and Casualty and other reinsurers under retrocession agreements.

All treaties contained an insolvency clause required by N.D. Cent. Code § 26.1-02-21.

## **ACCOUNTS AND RECORDS**

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination and a trial balance as of December 31, 2000, was traced to the appropriate schedules of the Company's 2000 Annual Statement. The Company's ledgers are maintained electronically. Revenues and expenses were test checked to the extent deemed necessary.

The Company is audited annually by an outside firm of independent certified public accountants. The work papers of this firm were made available to the Examiners and were used to extent deemed appropriate for this examination.

### **Information System Controls**

The Company has not developed a business continuity plan addressing all significant business activities including financial functions, telecommunications services, and data processing services.

**It is recommended that the Company prepare a comprehensive written business continuity plan.**

## **FINANCIAL STATEMENTS**

The following pages present a Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2000. This statement is followed by supporting statements and reconciliations presented in the following order:

Statement of Assets, Liabilities, Surplus, and Other Funds, December 31, 2000  
Summary of Operations, Year 2000  
Reconciliation of Capital and Surplus, January 1, 1996, through December 31, 2000

**Farmers Union Mutual Insurance Company**  
**Statement of Assets**  
**December 31, 2000**

	<b>Ledger Assets</b>	<b>Non-Ledger Assets</b>	<b>Assets Not Admitted</b>	<b>Net Admitted Assets</b>
Bonds	\$20,964,796		\$100,000	\$20,864,796
Stocks:				
Preferred	100,000	\$2,000		102,000
Common	659,344	15,178		674,522
Cash	861,688			861,688
Short-Term Investments	976,781			976,781
Premiums in Course of Collection	431,014			431,014
Installments Booked but Deferred and Not Yet Due	898,665			898,665
Funds Held by or Deposited with Reinsured Companies	1,118,935			1,118,935
Reinsurance Recoverables on Loss and Loss Adjustment Expense Payments	305,228			305,228
Federal Income Tax Recoverable and Interest Thereon		120,108		120,108
Electronic Data Processing Equipment	169,507		134,360	35,147
Interest, Dividends, and Real Estate Income Due and Accrued		428,892		428,892
Expense-Sharing Receivable	38,013			38,013
Totals	<u>\$26,523,971</u>	<u>\$566,178</u>	<u>\$234,360</u>	<u>\$26,855,789</u>



**Farmers Union Mutual Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**December 31, 2000**

Losses	\$3,883,305
Loss Adjustment Expenses	236,981
Other Expenses	355,304
Taxes, Licenses, and Fees	163,169
Unearned Premiums	10,462,069
Funds Held by Company under Reinsurance Treaties	36,922
Amounts Withheld or Retained by Company for Account of Others	362,987
Provision for Reinsurance	74,000
Excess of Statutory Reserves Over Statement Reserves	<u>162,000</u>
Total Liabilities	\$15,736,737
Surplus as Regards Policyholders	<u>11,119,052</u>
Total	<u><u>\$26,855,789</u></u>

**Farmers Union Mutual Insurance Company**  
**Summary of Operations**  
**December 31, 2000**

**Underwriting Income**

Premiums Earned		\$19,202,131
Deductions:		
Losses Incurred	\$13,204,109	
Loss Expenses Incurred	1,348,467	
Other Underwriting Expenses Incurred	<u>4,993,436</u>	
Total Underwriting Deductions		<u>19,546,012</u>
Net Underwriting Gain or (Loss)		<u>\$ (343,881)</u>

**Investment Income**

Net Investment Income Earned	\$1,051,382	
Net Realized Capital Gains or (Losses)	<u>64,823</u>	
Net Investment Gain or (Loss)		<u>\$ 1,116,205</u>

**Other Income**

Miscellaneous Income	<u>\$ 75</u>	
Total Other Income		<u>\$ 75</u>

Net Income Before Federal Income Taxes	\$ 772,399	
Federal Income Taxes Incurred	<u>167,114</u>	
Net Income		<u>\$ 605,285</u>

**Farmers Union Mutual Insurance Company**  
**Reconciliation of Capital and Surplus Account**  
**January 1, 1996, Through December 31, 2000**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Surplus as Regards Policyholders, December 31, Prior Year	\$10,400,137	\$10,663,332	\$9,842,991	\$9,848,214	\$8,692,817
Net Income	605,285	(105,786)	3,585,062	(111,775)	307,056
Net Unrealized Capital Gains or (Losses)	59,764	787	(3,027,221)	302,639	877,923
Change in Nonadmitted Assets	32,866	(167,196)	(30)		
Change in Provision for Reinsurance	9,000	(76,000)	155,000	(71,000)	(72,000)
Change in Excess of Statutory Reserves Over Statement Reserves	12,000	85,000	107,530	(125,087)	42,418
Change in Surplus for the Year	718,915	(263,195)	820,341	(5,223)	1,155,397
Surplus as Regards Policyholders, December 31, Current Year	<u>\$11,119,052</u>	<u>\$10,400,137</u>	<u>\$10,663,332</u>	<u>\$9,842,991</u>	<u>\$9,848,214</u>

## NOTES TO THE FINANCIAL STATEMENTS

1. The Company acquired shares in four mutual funds on December 6, 2000, at an aggregate cost of \$500,000. The Company valued the mutual funds at book value or \$500,000 in its 2000 Annual Statement. It was noted that each fund distributed dividends in December 2000 but the Company did not record the dividend distributions on those four funds until January 2001. The Examiner determined that the Company understated the admitted value of the mutual funds by \$11,418 at December 31, 2000, because it did not record reinvested dividends on those funds in year 2000 and did not value those shares at the December 31, 2000 net asset value. **It is recommended that the Company record investment transactions in the proper accounting period and value shares in mutual funds using year-end net asset values.**
2. The Company acquired a \$750,000 Freddie Mac on December 27, 2000, but did not pay for the bond until January and February 2001. The Company recorded the transaction in 2000 as a bond purchase and recorded its payment obligation as a reduction to cash. According to NAIC *Annual Statement Instructions*, amounts due brokers for securities purchased but not yet paid should be recorded on line 19 of page 3 as "Payable for Securities" rather than as a reduction to cash. **It is recommended that the Company report amounts due brokers for securities purchased but not yet paid on line 19, page 3, of the Annual Statement under the "Payable for Securities" caption.**
3. The Company reported "Losses" and "Loss adjustment expenses" reserves totaling \$3,883,305 and \$236,981, respectively. These amounts are shown net of estimated amounts recoverable from reinsurers under the Company's reinsurance agreements. If the reinsurers are not able to meet their obligations under these agreements, the Company would be liable for any defaulted amounts. The Company has recorded reserve credits related to estimated amounts recoverable from reinsurers as of December 31, 2000, totaling approximately \$1,474,000 for losses and \$18,000 for loss adjustment expenses.

Upon reviewing all projections made of the Company's reserves for unpaid losses and loss adjustment expenses as of December 31, 2000, it was determined that the reserves as reported by the Company in its 2000 Annual Statement are within an acceptable range of possible outcomes; consequently, the reserves reported by the Company have been accepted for the purpose of this examination.

## CONCLUSION

The financial condition of the Company, as of December 31, 2000, as determined by this examination is summarized as follows:

ADMITTED ASSETS		<u>\$26,855,789</u>
Total Liabilities	\$15,736,737	
Surplus as Regards Policyholders	<u>11,119,052</u>	
LIABILITIES, SURPLUS, AND OTHER FUNDS		<u>\$26,855,789</u>

In our opinion the accompanying balance sheet properly presents the statutory financial position of the Company as of December 31, 2000, and the accompanying statement of income properly presents that statutory results of operations for the period then ended. The supporting financial statements properly present the information prescribed by the North Dakota Century Code, North Dakota Administrative Code, and the National Association of Insurance Commissioners.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Beverly Dale, CFE, INS Consultants, and Mike Andring, ACAS of the North Dakota Insurance Department, participated in this examination.

Respectfully submitted,

Date: \_\_\_\_\_

\_\_\_\_\_  
David Weiss, CFE  
Examiner  
North Dakota Insurance Department

## **COMMENTS AND RECOMMENDATIONS**

It is recommended that the Company prepare a comprehensive written business continuity plan.

It is recommended that the Company record investment transactions in the proper accounting period and value shares in mutual funds using year-end net asset values.

It is recommended that the Company report amounts due brokers for securities purchased but not yet paid on line 19, page 3, of the Annual Statement under the "Payable for Securities" caption.